I&T 100 YEARS OF LEADERSHIP 1886-1986

# Implement & Tractor

*The business magazine of the farm and industrial equipment industry* JULY 1986

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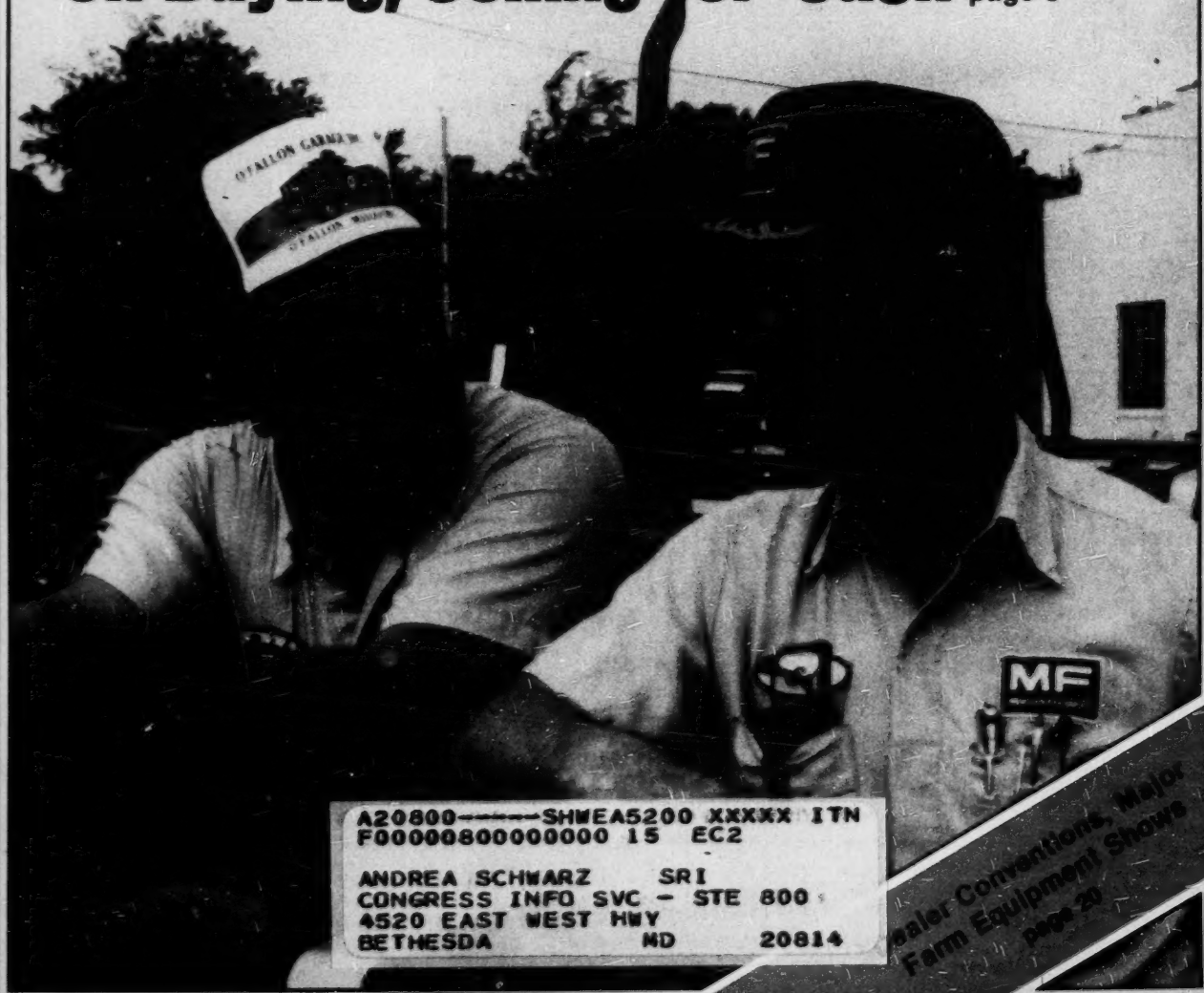
## Small Dealership Is Big On Buying, Selling for Cash page 8

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I&T 100 YEARS OF LEADERSHIP 1886-1986

# Implement & Tractor

*The business magazine of the farm and industrial equipment industry.*

July 1986 • Vol. 101 • No. 9

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**7:** **Selling Safety (and Safely) in the New Chain Saw Market.** This second part of a look at chain saws as an alternate product line offers tips for selling within the spirit of new safety guidelines for the industry.

**8:** **Small Dealership Is Big On Buying/Selling for Cash.** By paying MF on delivery for small tractors, the Griesenauer brothers figure they can offer a competitive price, generate good volume and hold a fair margin.

**12:** **Good News! They Still Have to Cut It!** Two different equipment types—rotary cutters and disk/drum mowers—share the distinction of showing strength in a generally down market.

**20:** **1986-1987 Industry Conventions, Meetings, Machinery Shows.** I&T's annual compilation of dealer associations' conventions, major farm equipment shows, and other trade events.

**25:** **Ideas for Liquid Manure Disposal.** More on the problems of manure disposal (see I&T March). Britain's Muck '86 is the subject of this picture story.

**On the cover...**The smiling faces of Ralph and Ed Griesenauer attest to their success at selling MF tractors at the O'Fallon Garage dealership in O'Fallon, Mo.

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# Little Sunshine in May's Retail Sales

The retail sales flash report for May from the Farm & Industrial Equipment Institute showed that volume was down in all categories but one—not under-40-hp tractors from Japan this time but two-wheelers of 140 horsepower and over.

**Unit Retail Sales**

| | May | | | January-May | | |
|---|---|---|---|---|---|---|
| | 1986 | 1985 | Pct. Change | 1986 | 1985 | Pct. Change |
| Farm Wheel Tractors: | | | | | | |
| 2-wheel drive | | | | | | |
| Under 40 hp | 7,058 | 7,390 | − 4.5 | 26,701 | 24,290 | + 9.9 |
| 40-99 hp | 2,586 | 3,904 | −33.8 | 12,154 | 15,868 | −23.4 |
| 100-139 hp | 477 | 731 | −34.7 | 2,282 | 3,994 | −42.9 |
| Over 140 hp | 1,059 | 863 | +22.7 | 4,522 | 4,952 | − 8.7 |
| **Total 2-wheel drive** | **11,180** | **12,888** | **−13.3** | **45,659** | **49,104** | **− 7.0** |
| 4-wheel drive | | | | | | |
| Under 200 hp | 43 | 94 | −54.3 | 251 | 397 | −36.8 |
| Over 200 hp | 70 | 168 | −58.3 | 530 | 742 | −28.6 |
| **Total 4-wheel drive** | **113** | **262** | **−56.9** | **781** | **1,139** | **−31.4** |
| **Total All Tractors** | **11,293** | **13,150** | **−14.1** | **46,440** | **50,243** | **− 7.6** |
| S-P Combines | 133 | 473 | −71.9 | 1,295 | 1,909 | −32.2 |
| Balers (under 200-lb. bales) | 366 | 908 | −59.7 | 1,395 | 2,312 | −39.7 |
| Forage Harvesters (shear-bar type) | 89 | 198 | −55.1 | 359 | 621 | −42.2 |
| Mower-Conditioners | 790 | 1,635 | −51.7 | 2,778 | 3,922 | −29.2 |

## It Will Be Ford New Holland

Ford Motor Co. has announced a reorganization which establishes Ford Tractor Operations in the U.S. as a wholly owned subsidiary, effective January 1, 1987. The new company will be called Ford New Holland, Inc. Ford Tractor in the United Kingdom is to become a wholly owned subsidiary of Ford Motor Co. Ltd. and known as Ford New Holland, Ltd.

Robert F. Moglia, Ford vice-president and general manager of Ford Tractor Operations since 1984, will be president of Ford New Holland, Inc., which will continue to report to Ford's Diversified Products Operations.

The New Holland business, acquired from Sperry Corp. in 1985, will report to Ford New Holland, Inc. The combined operations will have annual revenues in excess of $2 billion.

## Survey: Domestic Carbon Steel Getting More Competitive

Is foreign steel getting less competitive? Monthly surveys by the Steel Service Center Institute, Cleveland, Ohio, indicate a sharp change has taken place in the second quarter of 1986 compared with previous periods, and that domestic steel has become substantially more competitive.

Each month, the Institute surveys steel service centers and asks how foreign mills' offering prices on carbon steel compare with domestic delivered prices. For the 15 months from January, 1985, through March, 1986, an average of about three of every four steel centers found the overseas offerings from 6 to 10 per cent cheaper than domestic prices. About one in seven found prices anywhere from 5 per cent cheaper to 5 per cent more, or about equal.

But in April, the picture changed. Prices were found to be about equal by 37 per cent of the correspondents; 57 per cent found the foreign offerings 6 to 10 per cent cheaper. In May, 39 per cent said prices were about the same, 61 per cent said foreign steel was 6 to 10 per cent cheaper.

And in June, more than half the respondents—52 per cent—found the price of domestic steel on about an equal footing with the product of foreign mills; 48 per cent found the imported steel 6 to 10 per cent cheaper.

Andrew Sharkey, SSCI president, told I&T: "It looks like a significant change, but it's still early. We'll know more about it in several months."

## Steiger Tractor Files Under Chapter 11 Of Bankruptcy Code

Steiger Tractor, Inc., filed for protection from creditors June 17 under Chapter 11 of the U.S. Bankruptcy Code. The petition includes the parent company and its subsidiaries, Steiger Credit and Integrated Technical Systems, but not its Canadian and Australian operations.

The parent company reported assets of $54 million, $30 million in liabilities and shareholder equity of $24 million, including book value of the parent's investment in its subsidiaries. Steiger Credit has assets of $37 million and $23 million in liabilities. Integrated Technical Systems reported assets of $541,000 and liabilities of $677,000.

Steiger Tractor is 25 per cent owned by KHD, Cologne, West Germany, the parent company of Deutz-Allis. The company asked the court to be allowed to maintain its warranty obligations and to use cash from operations to continue paying employees and incur new financial obligations. Steiger plans to continue production.

## Deere's 1st Half: Sales Off 9 Pct. At $1.7 Billion

Deere & Co. had losses of $33.4 million in the second period of fiscal 1986 (ended April 30) and $67.8 million for the first half, compared with income last year of $34.8 million for the quarter and $6.6 million for the half.

Worldwide sales for the quarter were $1.023 billion and for the first half, $1.7 billion, both down 9 per cent.

Trade receivables, mostly dealer inventories, were $2.866 billion April 30, 1986, down $132 million from a year earlier. North American ag inventory declined $286 million in the past 12 months and $138 million since the start of the fiscal year.

## Robot Milking 5 Years Away?

Dairy cow yields could rise by up to 20 per cent when robots take over the milking, according to Britian's National Institute of Agricultural Engineering. Experimental designs would operate entirely without human help around the clock, leaving cows free to choose milking times and frequencies.

NIAE says that when cows choose a frequency of three to four times daily, yield increases of up to 20 per cent can result.

John Matthews, NIAE director, said a commercial version could be available in five years.

## Varity (MF) 1st Quarter Sales: $346 Million

Varity Corp., the newly-renamed Massey-Ferguson, posted net sales of $346 million in the first period of 1986 (ended April 30), a $40 million increase. Earnings went from $400,000 to $5.9 million.

The company's former Com-

*(Continued on page 16)*

Focus on two product areas – rotary cutters, disk/drum mowers:

# GOOD NEWS! THEY STILL HAVE TO CUT IT!

**Two different equipment types, they share the distinction of showing strength in a generally down market.** By Bill Fogarty

■WRITING a market focus story in the farm equipment business today can be discouraging. It has taken a bit of a search to find one with some sunny aspects to it, but we've done it. And it's encouraging.

The essence of our good-news message is the title of this article. Farmers and others have to mow things – roadsides, pastures and hay – and in at least some product categories, they have been buying the equipment to do it.

A look at hard numbers from a couple of sources indicates that the 1980s have treated the rotary cutter and drum and disk mower segments of the market far better than other products in the farm equipment mainstream.

## Rotary cutters

Table I shows what has happened in the rotary cutter market over the five most recent years for which manufacturer shipments data are available. The smallest sizes (under 66 inches) have been moving up. Medium-size units (66 to 100 inches) have held steady. Even the largest ones (over 100 inches) appear to have avoided the severe drops that other product categories have experienced.

Rotary cutter manufacturers agree that the growth of the part-time farmer phenomenon has been the major factor in the small-unit sales increase. Joked one sales manager:

"Heck, I haven't made any money off *real* farmers in years, just these part-timers who are fooling around."

Said another: "About anything connected with tractors under 40 horsepower is selling well. These cutters are what many people need for mowing pastures."

"Most of our sales," observed a marketing manager, "are through used equipment dealers. They sell them along with units like Ford 8N

*(More...)*

**There's more, but...**

**Manufacturer shipments** data from USDC also show a busy record of growing shipments for Stalk Shredders (under 90 inches) for the same five-year period. But are they really stalk shredders or are they small, flail-type mowers, used for a variety of needs closely paralleling the uses for rotary cutters? Shipments of the under-90-inch "stalk shredders" were: 1980 – 9,751 units; 1981 – 7,656; 1982 – 10,225; 1983 – 16,359; 1984 – 18,844.

Shipments of parts for rotary mowers and "stalk shredders" are combined. Expressed in dollar values, they are: 1980 – $17 million; 1981 – $25 million; 1982 – $20 million; 1983 – $22 million; 1984 – $24 million.

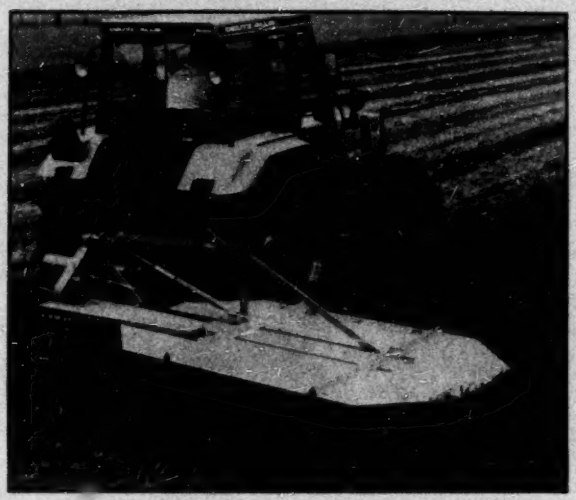
**TABLE I: LOOK AT THE ROTARY MOWER MARKET!**

**(Manufacturer shipments, horizontal blade type, excluding lawn types)**

| Year of Shipments | Size of Swath: Under 66 inches | 66 to 100 inches | Over 100 inches | Value of Shipments (millions) |
|---|---|---|---|---|
| 1980 | 49,517 | 18,226 | 7,834 | $75.8 |
| 1981 | 43,258 | 17,000 | 6,868 | 76.9 |
| 1982 | 49,806 | 13,645 | 4,982 | 69.2 |
| 1983 | 64,372 | 17,110 | 7,038 | 88.4 |
| 1984 | 71,099 | 17,964 | 5,407 | 82.9 |

Source: U.S. Dept. of Commerce, Current Industrial Reports, Farm Machinery and Lawn and Garden Equipment (MA35A).

**Reading the numbers...**



**Not all units** shown as mower imports are of the disk/drum type, but almost all the units from France, West Germany, Italy and the Netherlands are. There's another product category that lumps together "harrows, rollers, stalk cutters, soil pulverizers," and this is believed to include a large quantity of rotary cutter imports from Deere's Welland (Ont.) Works.

**TABLE III – PRINCIPAL SOURCES OF MOWERS**

| Year | France | Italy | United Kingdom | West Germany |
|---|---|---|---|---|
| 1982 | 2,413 | 81 | 2,572 | 986 |
| 1983 | 2,482 | 768 | 3,087 | 840 |
| 1984 | 6,061 | 732 | 4,821 | 1,938 |
| 1985 | 8,424 | 2,482 | 5,787 | 1,893 |

Source: U.S. Dept. of Commerce, International Trade Administration, Office of Capital Goods and International Construction.

**TABLE II – THE MOWER IMPORTS**

(excluding lawn mowers)

| Year | Units imported | Value of imports (millions) |
|---|---|---|
| 1980 | 17,912 | $26.8 |
| 1981 | 14,895 | 24.5 |
| 1982 | 14,370 | 25.0 |
| 1983 | 10,488 | 19.3 |
| 1984 | 14,711 | 31.1 |
| 1985 | 17,140 | 29.9 |

Source: U.S. Dept. of Commerce, International Trade Administration, Office of Capital Goods and International Construction.

tractors. About 10 per cent go through Kubota or Deere or similar dealers."

The larger segments of the rotary cutter market have changed over the years. There was a time when about every field of row crops was shredded, noted one manufacturer executive, "but the practice gave way to heavy disking and leaving a large part of the crop on top of the soil."

Today, he noted, the typical buyer of a larger rotary is the cow-calf farmer who's mowing pasture. "They're getting by, they can buy something. But the loss of the row crop markets took some manufacturers out of the business."

Said one sales manager: "You go after the weekend farmer or you go for the big machine buyer, the ones who are better financed, and for the roadside maintenance market."

He added: "Some farmers have been able to overbuy their rotary mowers. These are the ones who have been getting money from stripper oil wells on their land (in Southwestern states). But that business is about gone, so we'll be going hard after roadside mowing prospects and, more than ever before, the small user market."

**In and out.** It's not too hard to get into the manufacture of rotary cutters. Said one sales manager: "Buy yourself a gearbox, buy a blade, go over to Sears and get about $500 worth of tools, and you're in business."

"The smaller sizes are not difficult to get into," said Robert Moore, sales vice-president for Bush Hog. "When you start adding hydraulics and flexible wings, it gets complicated."

Back in 1963, when I&T reviewed the rotary cutter market, it was estimated that there were around 125 manufacturers of the product type on the market. We had assumed that this number would be down by about 60 to 70 per cent over the decades as a result of the usual economic forces that tend to thin out ranks of producers.

"It's not much below what it was years ago," remarked Phil Fraley of King Kutter, Winfield, Ala. "If you had 125 back then, there must be close to 100 now."

But if the total number of players is not down much, the actual roster has changed. About one-fourth of the rotary cutter marketers listed in I&T's 1963 Product File are apparent in the 1986 edition.

Hank Kaspar, marketing manager for Hesston's Woods Div., a long-time veteran of the business, notes that a lot of small producers of rotary cutters have come in and gone out in the past. "We assume," he said, "that competition will always be with us. Some smaller companies will probably be clipped by product liability losses or insurance premiums and will drop

out, but others may rise up in their place."

**Product liability.** There it is again, product liability.

"We're getting insurance premium increases of 400 to 700 per cent," noted Robert Moore, sales vice-president for Bush Hog, Selma, Ala.

"It's not just the premium costs that add percentage points to the price of the product," commented Joe Pryor of Rhino Products, Dallas, Tex. "I've been spending weeks getting ready for a lawsuit, and that's costly. Our coverage has been reduced and our premium has been raised."

Said Hank Kasper of Woods: "Just to give you an idea of what's necessary, we have one man who's in charge of safety and reliability. He's involved with everything—training, depositions, etc. And he used to be our chief engineer."

Phil Fraley of King Kutter: "We have been sued in the eight years we've been in the business, but never had any losses. Nevertheless the premium increases have been stiff."

**Imports.** Rotary cutters have largely remained a domestic item. Some components, through, are sourced both overseas and in North America, such as gearboxes.

Rotary cutters, according to some manufacturers, don't appear to be a likely target for competition from overseas because they are not very labor-intensive and the amount of space they take up in relation to dollar value is relatively high, affecting the freight bill and, ultimately the price.

Manufacturers agree, however, that if the product liability cost situation continues to darken for American producers, the picture could change. "An overseas company," said one, "with nothing to lose beyond inventory assets it had over here, could decide to go bare on product liability. That could make their product very competitive with American lines, and there would go more jobs overseas."

Regardless of any threat of import competition, it is said that some smaller manufacturers of rotary cutters are now going bare themselves on product liability insurance.

**Outlook.** As long as the trend toward small farms and similar holdings continues in North America, the need for the utilitarian services of small-swath rotary cutters should continue. The growth in sales of small tractors from Japan is just one indicator of this, for manufacturers are finding new sales opportunities based on the increasing popularity of all-terrain vehicles.

Watch for more standardization of safety features such as shielding chains, particularly for non-agricultural applications.

## Disk and drum mowers

In 1977, I&T did a brief report on what we called "Euromowers," the drum and disk types that were just getting a foothold in North American hay crops. About 3,500 to 4,000 units were being imported annually at that time.

Today, the total is probably around 15,000. A look at Tables II and III tells the story, even though the Commerce Dept. numbers don't distinguish between mower types.

Further, mower-conditioners with disk-type cutterbars are believed to be getting somewhere between 20 and 30 per cent of U.S. retail sales in that product category.

The major producers are Deutz-Fahr and Krone (KMN) in West Germany, Lely, Vicon and Zweegers (PZ) in the Netherlands and Kuhn in France. Several North American companies, such as Gehl, New Holland, Deere and Hesston market such units under their own names.

The Euromowers originally got started in this country because they met a need their original designers never thought of. Infestations of fire ants have left mounds of dirt across hayfields in the Southern U.S. Sicklebar mowers have plugging and damage problems under such conditions; the Euromowers don't.

The disk and drum mowers also do well in heavy and wet grass crops such as are found in the South and East. In alfalfa, under ordinary or favorable conditions, the sicklebar mower continues to prevail. Thus, not many Euromowers have been sold in the Midwest, but the number is growing, and the feelings about some of these sales are mixed.

**Joe Weicksel,** New Holland's product manager for hay tools, shows the two main ways hay is cut in America. He says there's nothing to beat the sickle-bar in standing alfalfa, but there are problem areas where the spinning disk is preferred: fire-ant mounds; heavily fertilized grass crops; soft, wet grass, etc. In a sparse alfalfa crop, a disk cutter could produce a streaky stubble, he says, because the air blast from the rotating disks bends the crop over.

Mowing speed with disk types is determined by the operator's ability to stop the tractor in an emergency, not by cutting ability.

"We get some sales in the North Central states," said a sales manager, "because farmers occasionally have trouble with their first hay crop of the season due to weather, and they would rather have a disk mower than a sickelbar type."

**Worrisome application.** Some Euromowers are now being sold in the North Central states and elsewhere for roadside mowing. "But this isn't what they are designed for," the sales manager asserted, "and we don't recommend that they be used that way. The concern is safety."

The Euromowers are usually draped with fabric, which is sufficient to control the movement of the cut hay crop. Typical roadside debris—metallic or glass objects hurled by mower blades—suggest frightening hazards to safety engineers, and so at least some companies are discouraging such applications.

*(More...)*

One company told I&T, however, that development is now under way on a disk-type roadside mower, *i.e.*, one with enough guarding to provide a level of protection satisfactory to engineers and insurors. If plans work out, it could be introduced in a few months.

**Pricing.** Marketing managers and sales reps who were introducing Euromowers to dealers a decade ago had to use very intense and persistent sales and demonstration methods to draw attention to their products' advantages.

One factor that got progressively easier was price. The dollar kept rising in relation to European currencies from late in the 1970s until 1985. Since then the trend has been in the opposite direction.

"We had been having price cuts over the past four years," said Tim Harman, sales manager for Kuhn Farm Machinery, Inc., Vernon, N.Y., subsidiary of the French manufacturer. This year we're having our first price hike since 1982, about 7 to 8 per cent."

**Outlook.** Dry weather in the Southeastern U.S. has cut into this year's sales. "Over the long haul, however, these things tend to level themselves out," notes Alan Tarver, who distributes the PZ line across the Southern states. "Business has been good west of the Mississippi and will improve in the East."

One of the features of Euromowers that bodes well for their future is their speed, particularly in relation to the farmer's time available for making hay. Taking a disk or drum mower into a field and opening up the tractor has always been an effective sale closer. Time always squeezes the farmer, and speed becomes even more important when he is involved with a job in town.

I&T reported in March about lab research at Purdue U. on the use of hay disks to harvest soybeans. If such research leads to widespread application eventually, it could open new opportunities for manufacturers and dealers alike.

**Summing up.** There you have upbeat looks at two of the brighter product areas within the generally slow North American farm equipment business. Anybody who is involved in either will assure you that the field is very competitive, but that's to be expected even in the best of times. □

# Update

*(Continued from page 4)*

bines Div. has become Massey Combines Corp., of which Varity owns 45 per cent. Results for Varity's first period of 1985 have been restated to show the former division as discontinued operations.

The $40 million sales increase, adjusted for exchange rates, was 7 per cent. Of the $346 million total, the farm and industrial machinery segment was $254 million and engines, $92 million. The largest market, the United Kingdom, had sales of $63 million, up 6 per cent; the U.S. volume, $55 million, was up 1 per cent.

## New Posts at Case for Gleason, Christman, Rosen, Schulz, Breeze

At J I Case Co., executive changes have been announced:

John S. Gleason is in the new post of senior vice-president, North American sales and marketing; Richard M. Christman is senior vice-president, European sales and marketing; Ronald A. Rosen succeeds Christman as vice-president, North American retail enterprises. John Borden continues as executive vice-president of marketing for Case.

John C. Schulz is vice-president, construction equipment engineering. Earlier, R. Craig Breeze was named director of international marketing, non-Europe.

## Briefly...

**Gehl Co.** has acquired certain assets of Keith Industries, Winnipeg, Man., including Straw Storm and Chaff Storm, which are crop residue distribution attachments for combines.

**Something different.** Morris Rod-Weeder Co., Yorkton, Sask., has rescinded layoff notices to over 50 workers and 20 others have been called back. Work at the Yorkton plant will continue without interruption. Spring sales exceeded expectations, said Adeleine Morris, president, and the changes are necessary to meet sales demands.

**Imports** of farm equipment to the U.S. in the first quarter of 1986 were $448 million, up from 1985 by 6.5 per cent. For the first time, imports exceeded exports for a three-month period. Exports were $407 million, down 5 per cent. Main sources of increased imports: Japan (up 37 per cent to $132 million), West Germany (up 37 per cent to $78 million), France (up 30 per cent to $23 million).

# Inventory Watch

## What's happening to stockpiles in relation to sales.

| | Inventory Levels | | | | | | | 12-Month Sales |
|---|---|---|---|---|---|---|---|---|
| Equipment | Apr. 30 1985 | Nov. 30 1985 | Dec. 31 1985 | Jan. 31 1986 | Feb. 28 1986 | Mar. 31 1986 | Apr. 30 1986 | May 1, 1985 Apr. 30, 1986 |
| Tractors: | | | | | | | | |
| Under 40 hp | 45,349 | 44,086 | 46,559 | 51,537 | 56,446 | 58,306 | 55,947 | 60,151 |
| 40-99 hp | 31,195 | 26,464 | 25,658 | 25,480 | 25,929 | 27,136 | 27,457 | 35,451 |
| Over 100 hp | 26,279 | 22,861 | 22,243 | 21,204 | 20,918 | 20,509 | 19,510 | 15,616 |
| Four-wheel drive | 4,585 | 3,400 | 2,889 | 2,719 | 2,623 | 2,612 | 2,537 | 2,703 |
| **Total Tractors** | **107,408** | **96,811** | **97,349** | **100,940** | **105,916** | **108,563** | **105,451** | **113,921** |
| S-P Combines | 9,813 | 7,249 | 6,685 | 6,373 | 6,342 | 6,744 | 7,054 | 8,137 |

Source: Farm & Industrial Equipment Institute